



The President's Daily Brief

31 January 1972

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

In Laos, action around Long Tieng was light this weekend. (Page 1)

Japanese leaders are publicly pressing for government-level talks with Peking but they remain cautious about prospects for normalizing relations. (Page 2)

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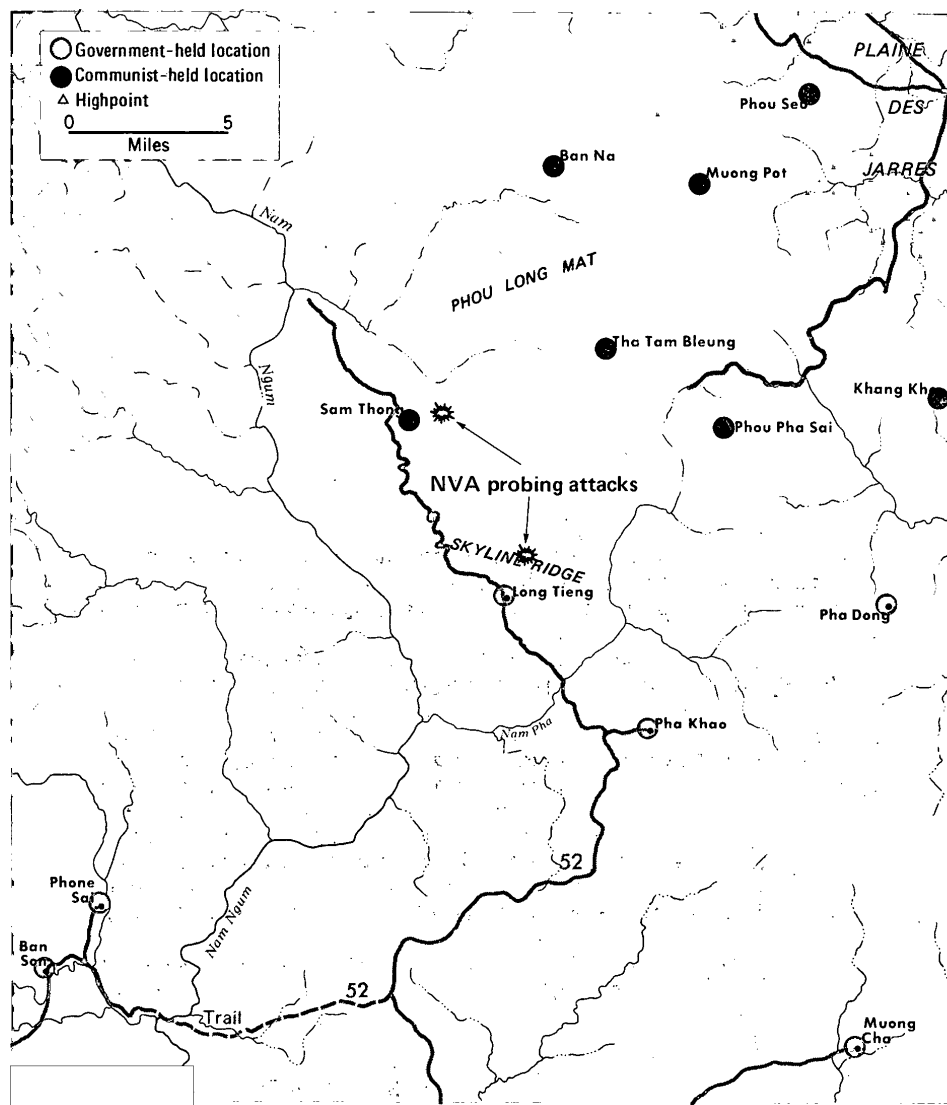
Pakistan's break with the Commonwealth is not likely to halt the trend toward recognition of Bangladesh. (Page 3)

The latest round of talks on Malta made some progress but several important issues remain. (Page 4)

Peking has extended \$65 million in economic aid to Chile, the largest single credit Chile has obtained to date from a Communist country. (Page 5)

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LONG TIENG AREA



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LAOS

Action around Long Tieng was light this weekend. Four of the eight irregular battalions that came to the relief of Long Tieng from Savannakhet are scheduled to return to south Laos today for rest and reorganization. These troops suffered 25 percent casualties during the retaking of Skyline Ridge and their effectiveness and morale have declined.

A recent intercept from a North Vietnamese unit near the Plaine des Jarres indicates that the fighting is also having an effect on the enemy. According to the message, some Communist troops are afraid of the possibility of saturation bombing and do not want to go into combat. The intercept also mentioned logistical difficulties, including a lack of spare parts and explosives.

Even though the North Vietnamese are being heavily attacked from the air, there is no evidence that morale or logistical problems are of such scope that they would prevent the Communists from launching a heavy, coordinated attack after their preparations are completed.

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JAPAN - COMMUNIST CHINA

Prime Minister Sato and Foreign Minister Fukuda have told the Diet that they want to establish normal relations with Communist China. Both called for talks with Peking at the government level. Sato acknowledged Japan's close ties with Taipei, but noted that Communist China has been admitted to the UN and that Tokyo's talks with Peking should be on the basis of "realization that China is one." Fukuda, who is a leading contender to succeed Sato, did not mention Taiwan.

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Furthermore, while most leaders of the ruling Liberal Democratic Party have concluded that diplomatic ties must be established with Peking, they are still uncertain about the pace at which Japan should proceed.

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Fukuda's caution stems in large part from Peking's aversion to Sato personally and from indications that China is unwilling to come to terms with Japan as long as Sato is Prime Minister.

Despite considerable reservations in Tokyo, at least one press report claims that the Japanese have already sounded out the French about arranging ambassadorial talks with the Chinese. During his visit to Tokyo in mid-January, Foreign Minister Schumann is said to have offered his good offices.

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PAKISTAN-COMMONWEALTH

Pakistan said yesterday that it is cutting its ties with the Commonwealth as a result of today's recognition of Bangladesh by Australia and New Zealand and Britain's apparent intention to announce recognition on 4 February.

Commonwealth withdrawal is most likely welcomed by the Pakistanis, most of whom have long questioned the organization's value, and who are resentful of the aloof attitude of Britain and the major Commonwealth countries during the war with India. The action is not likely to have much impact on the trend toward recognition by other states, however.

Besides Australia and New Zealand, the only Commonwealth countries which thus far have recognized Bangladesh are India, Barbados, and Cyprus. Cypriot recognition last week led the Pakistanis to break relations with Nicosia, as they have done with most countries taking this step. Bhutto has indicated, however, that he cannot afford to sever ties with "major powers" such as the USSR and he may have opted to withdraw from the Commonwealth in preference to breaking relations with the more powerful members of the group. Bhutto told a press conference yesterday that he is prepared to continue bilateral relations with Britain. Pakistan's need for economic assistance, moreover, may shape its reaction to recognition moves by the other larger states both within the Commonwealth and in Western Europe--most of whom have supplied economic aid to Pakistan in the past.

Although the UK has been advocating agreement on a common date for recognition of Bangladesh by the European Community countries, several states including France and Italy have not committed themselves.

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MALTA-UK-NATO

The latest round of talks which ended Saturday made some progress, but several important issues remain. On the chief financial question--the annual "rent" to be paid to Malta--Prime Minister Mintoff appears tentatively to have accepted the final Allied offer of \$36.4 million annually--provided that he gets his demand for at least some immediate cash. The North Atlantic Council will discuss this formula today.

The major bilateral Malta-UK issue--the terms for British-employed local labor--is still unsettled. Working-level discussions will continue in Valletta this week on this and other aspects of a new defense agreement in preparation for the next ministerial meeting in Rome on 7 February.

In the meantime, the withdrawal of UK forces from Malta is continuing. British officials note that they will soon begin dismantling heavy equipment, including radar facilities, a step which will be difficult and costly to reverse. Nevertheless, London believes it must continue the withdrawal as a means of pressuring Mintoff to come to terms.

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NOTE

Chile-China-USSR: Peking has extended \$65 million in economic aid to Chile, the largest single credit Chile has obtained to date from a Communist country. Moscow extended \$50 million in foreign exchange to Santiago late last year. Foreign Minister Almeyda has implied that the Chinese assistance is in the form of hard currency on a short-term basis--just what Chile needs most. Moscow's aid carried similar terms. China's action comes almost immediately after the arrival of a high-level Soviet economic delegation in Santiago, which implies that Peking is interested in competing with Moscow for influence in Chile. The composition of the Soviet delegation suggests that Moscow is undertaking a thorough examination of the Chilean economy. Thus far, the \$90 million in outstanding Soviet economic credits to Chile have been used mostly for preliminary survey work.

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